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Report Highlights:

India turns to China for grain storage expertise, *Activists, farmers to launch stir against Bt maize*, *Cotton export licensing requirement to be lifted in October, promises Commerce Secretary*, *Wheat stocks, storage crunch give FCI sleepless nights*, *After a pause, prices flare up again*, *Instant food and drug recall alerts*, *Euro zone crisis to hamper leather sector*, *Ban on milk import from China extended*, *U.S. ice-cream brand Swensen's enters India*, *Wal-Mart: 90% of our products are sourced locally*, *Big companies keep away from Mega Food Parks*, *Global firms to spice up Indian processed food space*, *Vegetable oil market will be weather-driven*, *Farm sector crucial for overall growth*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

INDIA TURNS TO CHINA FOR GRAIN STORAGE EXPERTISE

India is looking to collaborate with China to build modern and temperature controlled grain storage. Minister of State for Food and Agriculture K.V. Thomas has just returned from China and said that Chinese technology was adaptable to Indian conditions. There is an initial proposal for a technical exchange, whereby a team from the Food Corporation of India, Central Warehousing Corporation and some state agencies will visit China to study modern storage construction and preservation methods. A group of technical experts from China will be visiting India in November to inspect the storage facilities and assess the country's requirements. (Source: Hindu, 06/18/2010)

ACTIVISTS, FARMERS TO LAUNCH STIR AGAINST BT MAIZE

Environmental activists and farmer organizations have threatened to launch a people's agitation to oppose the entry of Bt maize (corn) into Punjab. This was in response to reports that the Chief Minister of Punjab had supported cultivation of Bt corn as part of state government's plans for crop diversification. Some of the farmer organization leaders questioned the Punjab government's support for Bt corn when it has still not been approved for cultivation by the Genetic Engineering Approval Committee. They also announced the launch of an awareness campaign in the state to highlight the negative impact of genetically modified crops. (Source: Tribune, 06/19/2010)

COTTON EXPORT LICENSING REQUIREMENT TO BE LIFTED IN OCTOBER, PROMISES COMMERCE SECRETARY

The Government of India intends to lift the licensing requirement and other export curbs on cotton from October 1, 2010. Commerce Secretary, Rahul Khullar said that the curbs on cotton exports would only last through September and will be lifted once arrivals of the new cotton crop begin in

October. On October 1, the policy will revert back to unrestricted exports, but exports have to be registered with the Textile Commissioner's Office. (Source: Business Standard, 06/19/2010)

WHEAT STOCKS, STORAGE CRUNCH GIVE FCI SLEEPLESS NIGHTS

At a time when the country is facing high food inflation, colossal wheat stocks of 12 million tons in Punjab are giving sleepless nights to the Food Corporation of India. With estimated 800,000 tons wheat moving out of the state every month, only 5 millions of wheat will be cleared by the next Rabi (winter) season leaving a surplus of 7 million tons. This may effect the procurement of paddy as the crop can not be stored in open spaces. (Source: Business Standard, 06/25/2010)

AFTER A PAUSE, PRICES FLARE UP AGAIN

After declining for a week, food inflation has started to rise again on pulses, milk and vegetables. Food inflation rose to 16.9 percent for the week ending June 12 from 16.12 percent in the week ending June 5. The Finance Minister recently said that food prices would decline by mid-July in view of the likelihood of a good monsoon. The rise in food inflation may force the government to adopt some contingency plan, including tightening of interest rates, depending on the progress of the monsoon. (Source: Financial Express, 06/25/2010)

INSTANT FOOD AND DRUG RECALL ALERTS

The Indian arm of the Brussels-based firm GSI, the world's most widely-used supply -chain standards system, has initiated talks with the Food Safety and Standards Authority of India (FSSAI) to implement internet and mobile phone-linked standard systems for alerts and product recalls for the food and pharmaceutical industry. It could drastically change the dynamics of food and pharmaceutical retailing since alerts and recalls will be standardized and brought under a common platform to consumers, retailers and the entire supply chain. The system can identify, trace and inform consumers and the trade about contaminated food instantly. The GSI system could also include issuing public notices that the recall of the contaminated food sample has been terminated. (Source: Economic Times, 06/21/2010)

EURO ZONE CRISIS TO HAMPER LEATHER SECTOR

The euro zone debt crisis is looming over leather exporters, especially small players, who constitute majority of leather exporters. The appreciation of the rupee against the euro would bring down the margins of these players, making it difficult for them to remain viable. Most of the small players, especially small leather manufacturers, do not have the financial strength to hedge against currency risks. According to the industry, exports performed well until global recession hit in 2008, when values fell short of target. Leather exports touched \$3,598.64 million in 2008-09,

up 1.4% against \$3,548.51 million in 2007-08. Post meltdown, the leather industry was just picking up when it again hit a road block due to the debt crisis in the Euro zone. According to Industry sources, the EU and the US together account nearly 76% of overall leather exports from the country. (Source: Financial Express, 06/21/2010)

BAN ON MILK IMPORT FROM CHINA EXTENDED

On Thursday, June 24, 2010, India extended the ban on imports of milk and milk products from China for another six months. The items prohibited for import include Chocolate and chocolate products, candies, confectionaries and food preparations with milk as an ingredient. (Source: Financial Express, 06/25/2010)

U.S. ICE CREAM BRAND SWENSEN'S ENTERS INDIA

US based ice cream brand Swensen's has entered the Indian market through a franchisee agreement between Devyani International Ltd (DIL) (owned by Ravi Jaipuria) and Thailand based Minor Food Group (MFG). DIL, which bought the franchisee rights for South India, will retail Swensen's through parlor stores. MFG is the largest owner and operator of Swensen's ice cream parlors worldwide and has a 40 years license to develop and franchise Swensen's in 34 countries. The ice cream is being manufactured at DIL's plant in Goa. (Source: Economic Times June 18, 2010)

WAL-MART: 90% OF OUR PRODUCTS ARE SOURCED LOCALLY

The \$405 billion Wal-Mart Inc is not letting grass grow under its feet. At its annual shareholders meet in Bentonville, Arkansas, the spotlight was on Wal-Mart's two Indian cash-and-carry stores, which are now the blueprint for similar stores in Brazil and Mexico. Wal-Mart India president Raj Jain told Economic Times in an interview that the prices of Bharti Wal-Mart are always 2-5% cheaper for a similar basket of goods; Wal-mart has about 800 suppliers and is planning to add another 150 each year. Lack of scale hampers Wal-Marts ability of bargain hard on discounts and rentals, at 3-7% of sales, are very high in comparison to global norm of maximum 3%. With permission from Punjab to procure grains directly they are planning to extend backward linkages to Uttar Pradesh, Andhra Pradesh and Haryana. 90% of Wal-Mart's products are sourced locally. (Source Economic times June 18, 2010)

BIG COMPANIES KEEP AWAY FROM MEGA FOOD PARKS

It's been two years since the Union Ministry of Food processing Industries of India (Mofpi) launched its flagship mega food park scheme, with major incentives to lure companies. However, big food and beverages (F&B) companies such as PepsiCo. Coco-Cola, Nestle, ITC and Britannia

are yet to show any interest. Among the big players, only Future Group appears to have shown interest and has applied to the Ministry of Karnataka and Maharashtra projects, in collaboration with Capital Foods (in which Future Group holds a 33 percent stake). Future Group and Capital Foods will invest US \$ 44 million in both projects. Ministry data reveals that of 10 mega food parks proposed, the setting up of six is under progress. Identification of sites for the remaining four in Karnataka, Punjab, Maharashtra and Uttar Pradesh is on, while the Uttarakhand project is operational. Such parks are expected to not only increase processing levels in the country (only six percent of fruits and vegetables grown in the country are processed) but also promote cluster farming, benefiting farmers. For instance, each mega food park is to have a number of collection centers in a 120-km radius, where farmers can directly sell their produce. The ministry has urged the state governments to adopt and implement its model State Agriculture Produce marketing Act; so that the collection centers could be freed of mandi tax and farmers could get maximum returns by dealing directly with the buyer-companies. (Source: Business Standard June 18, 2010)

GLOBAL FIRMS TO SPICE UP INDIAN PROCESSED FOOD SPACE

After acquiring UK-Based Cadbury in February this year, Kraft foods is now turning attention to the Indian market. To start, Kraft Foods is planning to introduce its global brands, such as Oreo Cookies and Talebreno, in Indian markets in the next few months. On the other hand, Godrej Hershey's, a joint venture between the Hershey's and the Godrej Group, is gearing up to launch Hershey's select brands, including Hershey's chocolates, in India. In essence, the Indian packaged processed foods industry will soon witness a major tussle between two global giants. The Indian processed food industry is growing at a rate of 15%. Major players in this sector include Nestle, Amul, Britannia and GlaxoSmithKline. To take on multinational rivals like Kraft and Hershey's homegrown brands, Amul and ITC foods are now beefing up their operations to drive volumes. (Source: Financial Express 06/21,2010)

VEGETABLE OIL MARKET WILL BE WEATHER-DRIVEN

A better South American soybean crop, improved outlook for the US, a forecast of normal southwest monsoon for India, a strong dollar and expectation of an increase in global palm oil production have all combined to leash vegetable oil prices. Further, the narrowing price difference between soya and palm oil has prompted Indian importers to buy more soya oil. Large oilseed stocks (2-2.5 million tons of soybean and 3-3.5 million tons of rapeseed/mustard) are now beginning to come out for processing which will of course add to oil supplies. A reasonable estimate of acreage under oilseeds will be available by mid-July. Since the next three months will be 'weather driven,' the upside risk to prices will come from adverse developments on the weather front. (Source: Business Line, 06/23/2010)

FARM SECTOR CRUCIAL FOR OVERALL GROWTH

The Planning Commission is hopeful for good growth in the agriculture sector during the XII Plan (2012-17). "4 percent agriculture growth is a good target for the XII Plan, which could not be achieved so far as envisaged in the XI Plan (2007-12)," said Planning Commission Deputy Chairman Montek Singh Ahluwalia. "I think at the end of the XI Plan, our assessment is that agriculture would show a better performance than in the X Plan (2002-07). However, 4 per cent growth in agriculture has not been yet achieved," he said. Notably, the two previous Plans failed to achieve the desired growth in the agriculture sector. "The process of drafting the XII Plan will begin with the output from outside experts. This would help us in getting a realistic assessment." (Source: The Hindu, 06/18/2010)

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IN1054	2010 Monsoon Report 1	06/23/2010
IN1055	GOI Regulates the Import of Equine Species into India	06/25/2010

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